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## JUNE 30, 2000 AND 1999

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Release Date 10-25-00

CADDO PARISH SEWERAGE DISTRICT NO. 2

CADDO PARISH, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

September 18, 2000

The Board of Supervisors  
Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana

Independent Auditor's Report

We have audited the component unit financial statements of Caddo Parish Sewerage District No. 2, a component unit of the Parish of Caddo, Louisiana as of June 30, 2000 and 1999, and for the years then ended, as listed in the table of contents. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Caddo Parish Sewerage District No. 2 as of June 30, 2000 and 1999, and the results of its operations and cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2000 on our consideration of the District's internal control over financial reporting, and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of Caddo Parish Sewerage District No. 2. Such information, with the exception of the schedule of insurance in force at June 30, 2000, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

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CADDO PARISH SEWERAGE DISTRICT NO. 2

BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUP

JUNE 30, 2000 AND 1999

	2000			
	<u>Governmental</u>	<u>Proprietary</u>	<u>Account</u>	<u>Total</u>
	<u>Fund Type</u>	<u>Fund Type</u>	<u>Group</u>	
	<u>Debt</u>		<u>General</u>	
	<u>Service</u>	<u>Enterprise</u>	<u>Long-Term</u>	<u>(Memo</u>
<u>ASSETS AND OTHER DEBITS</u>			<u>Debt</u>	<u>Only)</u>
Cash and cash equivalents:-Note 6				
Maintenance and operating account	-	253,005	-	253,005
General obligation bond sinking account	23,710	-	-	23,710
Accounts receivable	-	15,789	-	15,789
Prepaid expenses	-	3,243	-	3,243
Property, plant and equipment-Note 3	-	839,815	-	839,815
Bond issue costs-Note 4	-	2,922	-	2,922
Organizational and incidental costs	-	44	-	44
Amount available in debt service fund	-	-	23,710	23,710
Amount to be provided for retirement of bonded indebtedness from ad valorem taxes	-	-	66,290	66,290
Total assets and other debits	<u>23,710</u>	<u>1,114,818</u>	<u>90,000</u>	<u>1,228,528</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities:</u>				
Accounts payable	-	5,173	-	5,173
General obligation bonds payable- Note 4	-	-	90,000	90,000
Total liabilities	-	5,173	90,000	95,173
<u>Fund equity:</u>				
Contributions from other funds	-	1,189,385	-	1,189,385
Fund balance, unreserved	23,710	-	-	23,710
Accumulated deficit-Note 5	-	(79,740)	-	(79,740)
Total fund equity	<u>23,710</u>	<u>1,109,645</u>	<u>-</u>	<u>1,133,355</u>
Total liabilities and fund equity	<u>23,710</u>	<u>1,114,818</u>	<u>90,000</u>	<u>1,228,528</u>

The accompanying notes are an integral part of these financial statements.

1999			
<u>Governmental</u> <u>Fund Type</u>	<u>Proprietary</u> <u>Fund Type</u>	<u>Account</u> <u>Group</u>	<u>Total</u>
<u>Debt</u> <u>Service</u>	<u>Enterprise</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	<u>(Memo</u> <u>Only)</u>
-	214,480	-	214,480
26,665	-	-	26,665
-	16,031	-	16,031
-	3,243	-	3,243
-	889,136	-	889,136
-	3,652	-	3,652
-	181	-	181
-	-	26,665	26,665
-	-	83,335	83,335
<u>26,665</u>	<u>1,126,723</u>	<u>110,000</u>	<u>1,263,388</u>
-	11,726	-	11,726
-	-	110,000	110,000
-	11,726	110,000	121,726
-	1,189,385	-	1,189,385
26,665	-	-	26,665
-	(74,388)	-	(74,388)
<u>26,665</u>	<u>1,114,997</u>	<u>-</u>	<u>1,141,662</u>
<u>26,665</u>	<u>1,126,723</u>	<u>110,000</u>	<u>1,263,388</u>

CADDO PARISH SEWERAGE DISTRICT NO. 2

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE-

GOVERNMENTAL FUND TYPE (DEBT SERVICE)

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
<u>Revenues:</u>		
Ad valorem taxes-Note 2	25,370	75,574
Interest	<u>628</u>	<u>6,848</u>
Total revenues	25,998	82,422
<u>Expenditures:</u>		
Principal-Note 4	20,000	190,000
Interest and fiscal charges	<u>8,953</u>	<u>24,101</u>
Total expenditures	<u>28,953</u>	<u>214,101</u>
<u>Excess (deficiency) of revenues over expenditures</u>	(2,955)	(131,679)
<u>Fund balance-beginning of year</u>	<u>26,665</u>	<u>158,344</u>
<u>Fund balance-end of year</u>	<u><u>23,710</u></u>	<u><u>26,665</u></u>

The accompanying notes are an integral part of these financial statements.



CADDO PARISH SEWERAGE DISTRICT NO. 2

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT-

PROPRIETARY FUND TYPE (ENTERPRISE)

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
<u>Operating revenues:</u>		
Sewerage fees	94,999	98,600
<u>Operating expenses:</u>		
Accounting and auditing fees	7,287	5,560
Amortization of bond issue costs	730	730
Amortization of organizational and incidental costs	137	137
Attorney fees	1,050	1,303
Board of supervisors' fees	2,930	2,580
Contract labor	23,400	21,600
Data processing	356	422
Depreciation	55,396	54,676
Election and recall	15	4,262
Engineering fees	14,020	-
Insurance	4,535	5,018
Laboratory fees	1,895	1,980
Legal advertising	114	680
Miscellaneous	2,034	1,555
Office supplies	293	581
Payroll taxes	482	459
Plant supplies	5,714	7,139
Repairs and maintenance	18,230	17,222
Salaries	6,300	6,000
Sewerage billing fees	14,572	13,195
Treatment plant operation contract	-	2,532
Utilities	<u>12,525</u>	<u>13,608</u>
Total operating expenses	<u>172,015</u>	<u>161,239</u>
<u>(Loss) from operations</u>	(77,016)	(62,639)
<u>Nonoperating revenues:</u>		
Ad valorem taxes-Note 2	62,870	63,297
State revenue sharing	3,208	3,239
Interest	<u>5,586</u>	<u>7,618</u>
Total nonoperating revenues	<u>71,664</u>	<u>74,154</u>
<u>Net income (loss)</u>	(5,352)	11,515
<u>Accumulated (deficit)-beginning of year</u>	<u>(74,388)</u>	<u>(85,903)</u>
<u>Accumulated (deficit)-end of year-Note 5</u>	<u>(79,740)</u>	<u>(74,388)</u>

The accompanying notes are an integral part of these financial statements.



CADDO PARISH SEWERAGE DISTRICT NO. 2

STATEMENTS OF CASH FLOWS-PROPRIETARY FUND TYPE (ENTERPRISE)

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
<u>Cash flows from operating activities:</u>		
(Loss) from operations	(77,016)	(62,639)
Adjustments to reconcile (loss) from operations to net cash provided (used) by operating activities:		
Depreciation and amortization	56,263	55,543
Changes in assets and liabilities:		
Receivables:		
Accounts	242	1,408
Prepaid expenses	-	312
Accounts payable	<u>(6,553)</u>	<u>7,189</u>
Net cash provided (used) by operating activities	(27,064)	1,813
<u>Cash flows from noncapital financing activities:</u>		
Taxes collected	62,870	63,297
State revenue sharing	<u>3,208</u>	<u>3,239</u>
Net cash provided by noncapital financing activities	66,078	66,536
<u>Cash flows from investing activities:</u>		
Receipts of interest	5,586	7,618
Purchase of equipment	<u>(6,075)</u>	<u>(5,412)</u>
Net cash provided (used) by investing activities	<u>(489)</u>	<u>2,206</u>
<u>Net increase in cash and cash equivalents</u>	38,525	70,555
<u>Cash and cash equivalents-beginning of year</u>	<u>214,480</u>	<u>143,925</u>
<u>Cash and cash equivalents-end of year</u>	<u>253,005</u>	<u>214,480</u>

The accompanying notes are an integral part of these financial statements.

## CADDO PARISH SEWERAGE DISTRICT NO. 2

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Caddo Parish Sewerage District No. 2 ("the District") conform to generally accepted accounting principles as applicable to local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes and to the guides set forth in the Louisiana Governmental Audit Guide.

The following is a summary of certain significant accounting policies:

**A. Financial Reporting Entity**

The District is a component unit of the Parish of Caddo, Louisiana. The financial statements include all funds and the account group which are controlled by or are dependent on the District's Board of Supervisors. Control by or dependence on the Parish was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

**Fund Accounting**

The accounts of the District are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

**Governmental Funds**

*Debt Service Funds* - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Proprietary Funds**

*Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## 1. Summary of Significant Accounting Policies (Continued)

### B. Fixed Assets and Long-Term Liabilities

Long-term liabilities expected to be financed from government funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All fixed assets are stated at historical cost. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives by type of asset are as follows:

Treatment and disposal plant	20-50 years
Sewer collection system	10-50 years
Equipment	5-15 years
Office furniture and fixtures	15 years

### C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income is considered "measurable" when in the hands of intermediary collecting governments and is recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

1. Summary of Significant Accounting Policies (Continued)

**D. Cash and Cash Equivalents**

Cash and cash equivalents includes all cash on deposit with maturities of three months or less.

**E. Capitalization of Construction Period Interest**

The amount of interest cost capitalized is equal to the average amount of accumulated expenditures multiplied by the average interest rate on the general obligation bonds outstanding for the period during which construction occurs.

**F. Comparative Data**

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes on the District's financial position and operations.

**G. Total Columns on Combined Statements**

Total columns on the Combined Statements are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Ad Valorem Taxes

Ad valorem taxes are recorded as received. Such taxes are levied by the District in November of each calendar year and are due by December 31 of that year on the assessed valuation of property located within the District's boundaries. Hence, even though taxes for January 1 through June 30 are measurable as of June 30, they do not meet the "availability" criteria for accrual since they are not due within 60 days of the District's fiscal year-end. Accordingly, such taxes are not recorded until received.

During the year ended June 30, 2000, ad valorem taxes received were based on the December 31, 1999 net taxable value of \$3,315,650. The total millage rate for the calendar year 1999 was 28.00 mills which consisted of 20.00 mills for maintenance and operating and 8.00 mills for paying the principal and interest on general obligation bonds.

During the year ended June 30, 1999, ad valorem taxes received were based on the December 31, 1998 net taxable value of \$3,268,980. The total millage rate for the calendar year 1998 was 44.10 mills which consisted of 20.10 mills for maintenance and operating and 24.00 mills for paying the principal and interest on general obligation bonds.

3. Property, Plant and Equipment

The following is a summary of property, plant and equipment accounts and related accumulated depreciation:

	June 30, <u>2000</u>	June 30, <u>1999</u>
Office furniture and fixtures	1,915	1,915



3. Property, Plant and Equipment (Continued)

	June 30, 2000	June 30, 1999
Sewerage collection system	464,440	464,440
Treatment and disposal plant	1,149,675	1,143,600
Equipment	<u>19,070</u>	<u>24,290</u>
	1,635,100	1,634,245
<u>Less-accumulated depreciation</u>	<u>851,537</u>	<u>801,361</u>
	783,563	832,884
Real estate and right-of-ways	<u>56,252</u>	<u>56,252</u>
	<u>839,815</u>	<u>889,136</u>

The treatment and disposal plant was upgraded during 1993 at an approximate cost of \$754,000, including capitalized interest of \$58,472.

4. General Obligation Bonds

On May 26, 1989, the District sold \$390,000 of general obligation bonds dated May 1, 1989 at par value for the purpose of upgrading the present sewerage facilities. On May 1, 1999, \$170,000 of bonds with principal maturities due on May 1, 2005 through May 1, 2009 were retired early. Principal maturities range from \$20,000 to \$25,000 annually, together with interest at rates ranging from 7.7% to 7.80%. Future required debt service payments, including interest of \$18,300, are as follows at June 30, 2000:

2001	27,000
2002	25,450
2003	28,900
2004	<u>26,950</u>
Total debt service remaining, including interest	<u>108,300</u>

The bonds are secured by ad valorem taxes to be imposed and collected annually in excess of all other taxes on all of the property subject to taxation within the territorial limits of Caddo Parish Sewerage District No. 2 under the constitution and laws of Louisiana, sufficient in amount to pay the principal and the interest thereon as they severally mature.

The unamortized cost incurred in issuing the bonds is being amortized on a straight-line basis over a period of five years, the remaining life of these bonds.

The following is a summary of bond transactions of the District for the years ended June 30, 2000 and 1999:

Bonds payable at June 30, 1998	300,000
Bond retired	20,000
Bonds retired early	<u>170,000</u>
Bonds payable at June 30, 1999	110,000
Bonds retired	<u>20,000</u>
Bonds payable at June 30, 2000	<u>90,000</u>

5. Accumulated Deficit

The Enterprise Fund had accumulated deficits of \$79,740 and \$74,388 at June 30, 2000 and 1999, respectively. Management intends to eliminate the existing accumulated deficit through increased revenue from ad valorem taxes.

6. Cash and Certificate of Deposit

All cash is entirely insured or collateralized.

## SUPPLEMENTARY INFORMATION



CADDO PARISH SEWERAGE DISTRICT NO. 2

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2000

Coverage

General liability	<u>500,000</u>
Fire and extended coverage, vandalism and malicious mischief	<u>589,300</u>
Fidelity bond on secretary-bookkeeper	<u>20,000</u>
Computer insurance	<u>8,396</u>

UNAUDITED

CADD0 PARISH SEWERAGE DISTRICT NO. 2

SCHEDULE OF PER DIEM PAID TO BOARD OF SUPERVISORS

FOR THE YEAR ENDED JUNE 30, 2000

<u>Board Member</u>	<u>Meetings Attended Regular</u>	<u>Meetings Attended Special</u>	<u>Total Per Diem</u>
Thomas Christie	11	3	735
Raymond E. Donelson	12	4	820
Peter L. Bradford	7	3	495
Brad Webb	3	-	180
Terry Streetman	10	4	<u>700</u>
Total per diem paid			<u>2,930</u>

## OTHER REPORTS

September 18, 2000

The Board of Supervisors  
Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana

Report on Compliance and on Internal Control over Financial Reporting  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

We have audited the component unit financial statements of Caddo Parish Sewerage District No. 2 as of and for the year ended June 30, 2000, and have issued our report thereon dated September 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as Item 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe Item 00-1 to be a material weakness.

This report is intended solely for the information and use of the Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Ventral, LLP

CADDO PARISH SEWERAGE DISTRICT NO. 2  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2000

We have audited the financial statements of Caddo Parish Sewerage District No. 2 as of and for the year ended June 30, 2000, and have issued our report thereon dated September 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2000 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control - Material weakness was noted; no management letter was issued.

Compliance - No material noncompliance was noted.

b. Federal Awards - None

Section II - Financial Statement Findings

- 00-1     There is inadequate segregation of duties in the control structure over cash. One individual is responsible for receiving cash, making deposits, preparing disbursements, recording transactions, and preparing bank reconciliations. Adequate internal control requires appropriate segregation of duties considered to be incompatible; however, the District has informed us that this condition is due to economic limitations on the number of personnel employed by the District. Accordingly, full segregation of duties is not possible.

CADDO PARISH SEWERAGE DISTRICT NO. 2

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2000

Section I - Internal Control Material to the Financial Statements

- 99-1      Lack of segregation of duties over cash. This finding remains unresolved, as it is not economically feasible for the District to add personnel.